

201

CITY OF SAN DIEGO
MEMORANDUM

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SAN DIEGO, CA

DATE : May 12, 1995
TO : Honorable Mayor & City Council
FROM : Jack McGrory, City Manager
SUBJECT : City Council Staff Briefing - May 11, 1995
Item 201-- Agreement with the Chargers

At the City Council Staff Briefing for the Docket of May 15, several questions were raised regarding item #201. Responses to those questions are provided below:

1. **Who will pay operating and maintenance costs?**
The Facilities Use and Occupancy Agreement (the "Training Facility Agreement") stipulates that the Chargers will pay "all operating expenses, monthly non-capital maintenance costs, and utilities expenses...". The City is responsible "for all capital costs and expense, and any other charges, costs and expense which arise in connection with repair or replacement of all or any portion of the Premises." Please see sections 4.2 and 6.1 of the Facilities Use and Occupancy Agreement.
2. **A. Who will own the training facility? Can the City utilize the facility? Can the facility be rented out?**
The City will own the facility, however, the Training Facility Agreement grants to the Chargers "the exclusive right to use and occupy" the training facility. The Chargers may only use the training facility "for office, training and practice purposes and any other purpose related to the business of owning, operating and marketing a professional football team" (Section 5.1 of the Facilities Use and Occupancy Agreement). This would prohibit facility rental to other interests.
B. What are the characteristics of the facility? Will the facility be vacant when the Chargers are not utilizing it?
Attachment 1 provides a listing of elements within the facility. The facility will be occupied year-round and will not be vacant at any point during the year.
3. **Does the Sports Council have a specific plan for providing the seat guarantee?**
See Attachment 2; letter from the San Diego International Sports Council, dated May 1, 1995.

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4. **Given last season's attendance levels, what would the City have had to pay in the '94 season if the seat guarantee was in force during that season?**

The proposed contract will provide for a 60,000 General Admission ticket guarantee for 10 seasons. Given the 1994 attendance levels (average attendance of 57,555), the City would have paid approximately \$840,000 to the Chargers for the 1994 season. It should be noted that currently, there are only 59,592 General Admission seats at the Stadium, thus a 60,000 seat guarantee would be impossible to achieve. It is expected that the seat expansion, other enhancements at the Stadium and the assistance from the Sports Council will strengthen ticket sales to reach the maximum guarantee. In addition, operating surpluses of \$1 million or more are projected at the Stadium in FY 2000 and beyond.

5. **What are the Padre revenues at the Stadium and what would be the City's liability should the Padres leave in '99?**

See Attachment 3 for Padre revenues.

Attachment 4 provides summary cash flow projections for the renovated Stadium.



JACK McGRORY

ATTACHMENT 1

EXHIBIT B

DESCRIPTION OF CHARGERS' FACILITIES

- Purpose: To provide the Charger's with a "state of the art" practice field, training facility and offices.
- Description:
- Two (2) full natural grass fields and one (1) artificial turf field.
 - The building shall include the following elements: weight room, sports medicine facility, locker rooms, showers, other amenities, team meeting rooms, video suites, offices and storage and shall be of size and quality comparable to such facilities at Joe Robbie Stadium.
- Cost: \$10 million, excluding land costs.

ATTACHMENT 2



May 1, 1995

Mr. Jack McGrory, City Manager
City of San Diego
202 C Street
San Diego, CA 92101

Dear Jack:

The San Diego International Sports Council is pleased to join the City of San Diego in securing the future of the San Diego Chargers at Jack Murphy Stadium.

The visionary leadership of Mayor Golding and the City Manager's Office has brought the Chargers lease agreement to a timely resolution, sparing San Diego from the costly battle to retain a National Football League franchise for our City.

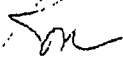
The San Diego International Sports Council Board of Directors and General Members are standing behind the City of San Diego in support of the lease agreement negotiated to extend the Chargers commitment to Jack Murphy Stadium through the year 2020.

Our pledge to the City of San Diego, and the citizens of San Diego, is to rally our forces and focus our energies and efforts to promote the sale of Chargers season tickets. We recognize the critical importance of this pledge, and we are prepared to work on a multi-year ticket sales campaign to increase home game general admission attendance to a minimum of 60,000 per game.

The Chargers are a vital and valuable asset to our community, and the San Diego International Sports Council is dedicated to keeping them here. An aggressive Marketing Plan is being developed by the Professional Sports Committee of our Board of Directors. We are looking to involve major employers, San Diego's corporate base, our Directors and General Members, as well as the enthusiastic fans of our region. We expect continued success for the Chargers, and success for the efforts of the City of San Diego and San Diego International Sports Council, and guarantee our best efforts to this end.

Please accept this letter as our endorsement of the ratification of the proposed lease agreement by the San Diego City Council. The San Diego International Sports Council is prepared to begin work immediately on this project.

Sincerely,


Ron L. Fowler
President

ATTACHMENT 3

Projected Padres Net Revenue at San Diego Jack Murphy Stadium
(in millions)

<u>FY Year</u>	<u>Net Revenue To City</u>
1996	\$0.9
1997	\$1.0
1998	\$1.9
1999	\$2.6
2000	\$3.8
2001	\$4.2
2002	\$4.8
2003	\$5.0
2004	\$5.9
2005	\$6.0
2006	\$6.2
2007	\$6.3
2008	\$7.3
2009	\$7.4
2010	\$7.7

NOTE:

Padres attendance assumptions: 1.3 million in 1996,
2 million in 2000, 2.3 million in 2002 and beyond.

ATTACHMENT 4

Jack Murphy Stadium Lease Analysis - Renovated Facility (in millions)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
STADIUM REVENUE										
Chargers	2,900	3,002	4,071	4,270	4,496	4,716	4,947	5,189	5,460	5,727
Other Stadium Revenues	5,520	6,554	6,821	7,588	9,019	9,563	10,420	10,744	11,806	12,150
Midway Sports Arena	1,000	1,000	1,000	1,000	1,000	0	0	0	0	0
Concessionaire	900	936	973	1,012	1,053	1,095	1,139	1,184	1,232	1,281
Parking	0	0	0	192	192	403	403	403	403	403
Ticket Payments	0	450	900	900	900	900	900	900	900	900
Total Stadium Revenue	10,320	11,942	13,765	14,962	16,560	16,677	17,809	18,420	19,801	20,471
Stadium Expense	6,092	6,305	7,739	8,126	8,533	8,959	9,407	9,878	10,371	10,890
Debt Service - Existing Bonds	2,500	1,600	0	0	0	0	0	0	0	0
Debt Service for Renovations	574	5,180	5,830	6,978	6,978	6,978	6,978	6,978	6,978	6,978
Total Stadium Expense	9,166	13,085	13,569	15,104	15,511	15,937	16,385	16,856	17,349	17,868
Net to City	1,154	(1,144)	196	(142)	1,149	740	1,424	1,564	2,452	2,603
Cumulative	1,154	11	207	65	1,214	1,954	3,378	4,942	7,394	9,997